



Legislative Research Council

MINUTES

Education Funding Formula Study Committee

Representative Jacqueline Sly, Chair
Senator Larry Tidemann, Vice Chair

Third Meeting
2013 Interim
September 23, 2013

Room 413
State Capitol
Pierre, South Dakota

Monday, September 23, 2013

The third meeting of the Education Funding Formula Study Committee was called to order by the Chair, Representative Jacqueline Sly, at 9:00 a.m. in Room 413 of the State Capitol in Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Representative Jacqueline Sly, Chair; Senator Larry Tidemann, Vice Chair; Senators Jim Bradford, Al Novstrup, Billie Sutton, Bill Van Gerpen and Chuck Welke; and Representatives Dan Dryden, Mary Duvall, Don Haggar, Jenna Haggar, Anne Hajek, Kathy Tyler, and Mike Verchio. Senator Jean Hunhoff was excused.

Staff members present included Clare Charlson, Principal Research Analyst; Annie Mehlhaff, Principal Fiscal Analyst; and Traci Thompson, Legislative Secretary.

(NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council (LRC).)

Minutes

REPRESENTATIVE VERCHIO MOVED, SECONDED BY REPRESENTATIVE DRYDEN, TO APPROVE THE MINUTES OF THE JULY 29TH - 30TH MEETING. MOTION PREVAILED ON A VOICE VOTE.

Opening Remarks

Representative Jacqueline Sly, Chair, stated that there had been questions regarding the purpose of this interim study, and she asked the LRC Executive Board whether the committee should be focusing on the funding formula aspect, as in the name of the study, or the three focus areas. The Executive Board responded that this study should concentrate on the three focus areas. In previous meetings, the committee discussed the funding formula and how responsive it is to improving graduation outcomes, and secondly, the manner in which technology is affecting education with particular emphasis on the manner in which it has changed teaching methods. Chair Sly noted that the focus of this meeting will be why certain districts have come to rely on opt-outs from the property tax levy limitations and, similarly, how certain districts have been relying on revenue from their capital outlay funds.

Funding Inequalities among School Districts

Jim Holbeck, Superintendent, Harrisburg School District, presented a slideshow regarding some of the inequalities he feels exist in the school funding formula. He stated that teacher pay in South Dakota was not only ranked last in the nation, but it lags behind the state ranked second to the last by about three thousand dollars, and comes in at only about seventy percent of the national average. He believes this is the main reason that we are facing such a huge shortage of teachers across the state. He mentioned that all schools have different and unique challenges and that these should be addressed and calculated in the formula. **(Documents 1, 2, 3, 4, 5, 6, 7 and 8)**

The Harrisburg School District has used opt-outs and capital outlay funds and still comes in last in the state in general fund expenditures per student. He mentioned that they are deficit spending by roughly two million dollars. They are in a crisis situation, and he is hoping that someone can find an answer.

In response to a question regarding whether consolidation with other surrounding schools would be an option for the Harrisburg School District, Mr. Holbeck stated that it would not help and that they would still be at the bottom. When asked if putting more money into the formula would help Harrisburg, he said that it would not solve its problems.

School District Opt-Outs and the Use of Capital Outlay Funds

Todd Vik, Business Manager, Sioux Falls School District, shared the Sioux Falls School District Opt-Out Summary **(Document 9)** that shows data from 2003 through 2014. He highlighted the major funding needs that are covered by the opt-out; the major district reductions and limitations that the Sioux Falls School District has incorporated; the additional savings due to limiting teacher salaries; and the costs of limiting salaries such as teacher vacancies, newer teachers with less experience; and more classified staff vacancies. Mr. Vik also brought up the effect of the growing diversity among students in his district, and the huge increase in economically disadvantaged students who receive free or reduced lunches.

When asked whether the improved economy was making it more difficult to hire teachers, Mr. Vik stated that he felt that it was playing a part.

Representative Hajek mentioned that she had read an excellent book entitled, "How Children Succeed", by Paul Tough, which she highly recommended for everyone to read.

Jennifer Lowery, Superintendent, Tea Area School District, shared the unique challenges her school district is facing with regard to being one of the larger school districts, yet having the fewest square miles and one of the smallest land valuations per enrolled student **(Document 10)**. She also stated that due to the high tax levy of her district, there have been petitions to leave the district which would make things even more difficult.

Tim Graf, Superintendent, Milbank School District, spoke about the programs and classes in its schools that have had to be cut. He discussed having to go to a shared principal for both the middle school and high school, and a five percent budget cut that was implemented. He mentioned that the district had tried to pass two separate opt-outs, but, with the majority of

voters not having school-aged children, both had failed. He also felt that teacher recruitment was beginning to be a huge burden.

When asked whether increasing the actual per student allocation would help the district, he stated that every dollar helps.

Scott Lepke, Superintendent, Custer School District, spoke on the challenges that the district is facing with regard to an aging population, high land valuations, very little state aid, difficulty with hiring teachers and staff due to living so close to Wyoming, uncertainty of Impact Aid, and large class sizes. He noted that the Dakota Step scores have gone down, and he does feel that there is a direct correlation between the test scores and the problems he noted. He mentioned that teacher morale is down due to the lack of salary raises and the fact that healthcare costs have eaten up what they have received.

Pat Kraning, Superintendent, Estelline School District, talked about the two opt-outs currently in effect and the creative ways they have saved money, including having their teachers teach several courses. He said that the seasoned teachers have done a good job and that the test scores show that, but they are finding it increasingly difficult to hire new teachers because of their close proximity to Brookings, and the fact that teachers can get a higher salary there and not be required to teach multiple classes.

Erik Person, Superintendent, Burke School District, painted a successful picture of his school district, but stated that he didn't feel it was replicable or sustainable. He went on to say that they had about two hundred students in his district and sixty percent qualified for a free or reduced lunch. He attributed Burke's successes to their veteran teachers and administrators who were willing to go above and beyond what was asked of them. He stated that newer teachers have been difficult to hire and were not as willing to do as much. The voters of his district agreed to a three hundred thousand dollar opt-out in exchange for a reduced capital outlay levy so that the teachers could be given raises, but the age of their buildings is a concern with the reduced amount of capital outlay funds available.

In response to a question regarding consolidation, Mr. Person responded that they were not in favor of consolidation because they feel they were doing a better job in their district than surrounding schools, and that officials in those schools feel the same way about their schools.

Shayne McIntosh, Superintendent, Parkston School District, provided information on the district's historical declining enrollment and the effect of that decline (**Document 11**). He stated that they had been prepared for declining enrollment, but had not anticipated the 8.6 percent decrease in the per student allocation. Teacher salaries have been frozen and their health insurance benefits have gone down. He said that the quality and quantity of teacher candidates has declined and that test scores are also declining. He stated that according to the National Assessment of Educational Progress (NAEP), white 4th grade reading scores in South Dakota have gone from ranking 21st in the nation in 2003 to ranking 41st in the nation in 2011.

When asked what he would like to see done, Mr. McIntosh said that teacher salaries need to be increased and that he'd like to see funds restructured.

Senator Van Gerpen asked if he felt that the low salaries were the only reason for the decline in teachers or if there were other reasons. Mr. McIntosh said that students are not the same as they used to be, and that teachers are often in a hostile environment where they are not treated well by students. He felt that many teachers can make the same amount of money in other jobs in which they do not have to deal with the disrespect, so they are leaving the field.

The committee recessed for lunch at 12:19 p.m. and resumed at 1:40 p.m.

Senator Van Gerpen said that he would like the committee members to look at the written testimony by Dr. Bryce Knudson, Superintendent, Bon Homme School District, (**Document 12**) that he handed out since Dr. Knudson was unable to be present at the meeting.

Scott Lepke, Superintendent, Custer School District, said that adding more money into the formula would not help his school district because he gets very little state aid, but he suggested that expanding the summer tourism tax could be something the committee might consider. Mr. Lepke also said that it would be very helpful to his district if they knew how much money they could rely on each year when working on their budget.

Tim Graf, Superintendent, Milbank School District, would like to see the legislators create a task force, which would include educators and legislators, to help deal with this very complex issue.

Review of Written Testimony from School Districts

Committee members discussed the written testimony that had been collected from school administrators and compiled by the Associated School Boards of South Dakota (**Document 13**).

Representative Tyler thanked all the schools and administrators for their honesty and said that it appears that there seems to be a common theme of schools not only being unable to hire quality teachers, but issues involving the loss of counselors, nurses, and supporting staff. She said that schools definitely need to be providing a good education, but it must be within a safe environment as well. She would like to be able to give the schools more money without micromanaging how they use the funds.

Representative Sly mentioned that some of the districts that had submitted information regarding enrollment issues might find helpful what Huron accomplished by creating a financial group consisting of community members to take a look at the financial aspects of their school district and community, and consider whether their school districts should consider an opt out.

Senator Van Gerpen expressed concern about the large number of schools that use capital outlay funds for their general expenditures, and what's going to happen to their capital outlay needs when the funds are gone. He also felt that discipline issues and the breakdown of the family unit are huge areas of concern that need to be addressed.

Senator Welke emphasized that with enrollment issues, cuts to career and technical education classes, and shortages of teachers, we need to find solutions! He felt that it's only going to get worse.

Public Testimony

Rob Monson, School Administrators of South Dakota, discussed two graphs assuming a 3.75 percent increase in annual funding, one that showed the total cost to the state (**Document 14**) and one that showed a trajectory of how long it will take to get the funding back up to where it should have been prior to the cuts (**Document 15**). He stated that the schools are asked to get students college and career-ready with less funding. He noted that he would like the members of this committee to pass on to the LRC Executive Board the stories of the immense challenges, unique needs, and the innovations that are taking place in our schools across the state.

John Pedersen, a retired school superintendent, stated that South Dakota has always been a frugal state and has always used its funds in the very best way possible and has gotten by, but he is very worried about the direction education is taking in South Dakota. He is concerned that the right teachers and administrators will not be in place for the future, and that schools are so concerned with test scores and making sure students are good test-takers that other important issues are not being addressed, such as what it takes to be a good member of society. He feels a lot of students are coming from homes where they do not have a lot of help with the other areas of their lives, and that the school is their main influence. He wants to make sure that the schools are looking at the needs of the whole child.

Wade Pogany, Associated School Boards of South Dakota, said that teacher salaries are too low, and there is a problem with finding qualified teachers. He is interested in having the committee look at a possible package that would target teacher salaries outside the funding formula. He would also like to see the per student allocation brought back to \$4,805, which is where it was prior to the 8.6% budget cut. He feels that the return on this investment would bring about a very good school system and would help pay for new reform that is being put into place.

When asked how much it would cost to get to the per student allocation of \$4,805, Mr. Pogany stated that it would cost about twenty-three million dollars.

Review of Suggested Committee Recommendations

The members of the committee reviewed the recommendations that had been brought forward based on the first two focus areas (**Document 16**). They will make final decisions once the committee has had the opportunity to contribute recommendations on the third focus area.

Planning for Future Meetings and Staff Directives

Chair Sly asked Ms. Charlson to send out a request to the committee members for additional ideas and recommendations including those dealing with opt-outs and capital outlay funds. The committee was also asked to gather any ideas of how to possibly streamline these ideas and decide how to possibly pull them together as bills.

The next meeting will be held on Monday, October 21, 2013, at 10:00 am.

Adjourn

REPRESENTATIVE DUVALL MOVED, SECONDED BY REPRESENTATIVE TYLER TO ADJOURN. THE MOTION PREVAILED UNANIMOUSLY ON A VOICE VOTE.

The committee adjourned at 4:13 p.m.



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